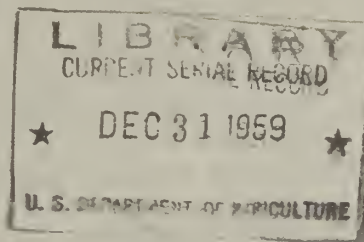


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Development of a Report on

TURKEY PRICES AT SHIPPING POINTS

In Eight North Central States

Agricultural Marketing Service Marketing Economics Research Division
UNITED STATES DEPARTMENT OF AGRICULTURE

PREFACE

On October 1, 1958, the Agricultural Marketing Service initiated a market news report on prices of ready-to-cook turkeys at country shipping points in eight North Central States. The report, issued weekly during the peak season, provides information on prices and volume of turkeys comparable in size and quality.

This bulletin describes how the new weekly price report was developed, what kind of data it provides, and how it can be used. This bulletin and the weekly reports are intended to assist farmers, turkey processors, students and teachers of marketing, and others to gain additional information on the marketing and pricing of turkeys. The study is part of a broad program of research to increase the efficiency of marketing farm products.

ACKNOWLEDGMENTS

The author is grateful to Fred L. Faber, agricultural economist, Marketing Economics Research Division, for his assistance in planning and developing this study, to the personnel of the Dairy and Poultry Market News Branch of the Agricultural Marketing Service in Des Moines and St. Louis for their assistance in collecting and compiling data, and to the turkey processors who so willingly supplied price and volume data.

CONTENTS

	Page
Summary	3
Survey of turkey processors	4
Collection of shipping-point pricing information	5
Type of report	5
Variability of the weekly shipping-point prices	6
Shipping-point prices compared with wholesale price quotations	8
Additional marketing information	10
Sales not usable for shipping-point price reports	10
Recommendations and conclusions	12

December 1959

SUMMARY

Processors now sell large quantities of frozen turkeys directly to chain-stores, bypassing wholesalers in central markets. This change in the marketing of turkeys made it desirable to report prices received by processors at country shipping points. Turkey processing plants in Iowa and the surrounding seven States were surveyed for pricing and marketing information in 1957 and 1958. From this information an f.o.b. shipping-point price report was established for issuance each week during the last 3 or 4 months of the year, on ready-to-cook, USDA-inspected, frozen turkeys sold in truck or carlot quantities.

Every Wednesday during the reporting period, 30 turkey processors were telephoned to obtain the following information on each shipment sold during the preceding week: (1) Their distribution costs, (2) city of destination, (3) pounds of each grade and size of turkey, and (4) gross and net prices for each grade and size. On October 1, 1958, the first report was issued to the public based on the information obtained from these 30 processors.

This weekly price report gives the price range and volume of turkeys sold at each price. In 1958 it was possible to issue prices on only 4 classes of turkeys: (1) fryer-roasters weighing 4 to 8 pounds, (2) young hens weighing 8 to 16 pounds, (3) young toms weighing 8 to 14 pounds, and (4) toms weighing 14 to 26 pounds. In future reports the weight range of some classes may be narrower, which should provide members of the turkey industry with more accurate and meaningful prices.

Buyers and sellers of turkeys can now ascertain from market news reports: (1) Daily prices paid at the farm, (2) weekly shipping-point prices, (3) daily wholesale selling prices, and (4) daily prices to retailers. The shipping-point prices thus bridge an important gap in the system of reporting prices of turkeys.

DEVELOPMENT OF A REPORT ON TURKEY PRICES AT SHIPPING POINTS IN EIGHT NORTH CENTRAL STATES

By John R. Pedersen, agricultural economist
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The Dairy and Poultry Market News Branch of the Agricultural Marketing Service regularly issues reports on current market prices and related market activities. The reports provide farmers, marketing firms, and others with information useful in making business decisions which affect the marketing of poultry products. To make their reports more useful the Service is continually improving current reports and establishing new reports that provide the dynamic poultry industry with marketing information.

Many changes in the marketing of turkeys have occurred in recent years. Most large processing plants now ship turkeys directly to large chainstore warehouses. These turkeys bypass the typical wholesaler in the central markets where prices of turkeys traditionally have been established. If this trend toward more direct marketing of turkeys continues, the point at which prices are reported necessarily must be shifted from terminal markets to other points in the marketing process.

Because of the tremendous technological changes in the marketing of turkeys the Dairy and Poultry Market News Branch requested that the Marketing Economics Research Division study the turkey marketing system and if possible establish a new price report that would accurately reflect the price of turkeys.

Research was initiated in the early fall of 1957 to develop experimental reporting of volume and prices at Iowa and Minnesota country shipping points. Nearly 20 percent of the total tonnage of turkeys sold off farms in the United States in 1957 was produced in Iowa and Minnesota. Since the production of turkeys is heavy in these two States it was assumed that volume and price data would be readily available.

Survey of Turkey Processors

Twenty turkey processors were surveyed in Iowa and Minnesota in 1957 to obtain information on (1) pricing methods, (2) terms and conditions of sales, selling costs, and market outlets, and (3) the availability of pricing information. 1/ Following the survey, volume and price data were collected weekly for the last 6 weeks in 1957 and the first 2 weeks in 1958, but this information was not adequate for the issuance of a price report. 2/ However, sufficient interest was shown in the report by the turkey trade to encourage additional work on this project.

1/ Turkey processing plants in the survey were plants that slaughtered a weekly average of at least 30,000 pounds live weight while in operation.

2/ For additional information on the 1957 phase of the study see: Pedersen, John R. Development of a Shipping-Point Price Report for Turkeys. U. S. Agr. Mktg. Serv. AMS-264. Reprinted from Marketing and Transportation Situation July 30, 1958.

In an attempt to get more information on volume and pricing practices, the area was expanded to include turkey processing plants in Iowa, Minnesota, Wisconsin, Illinois, Missouri, Kansas, Nebraska, and South Dakota. Sales of turkeys from these States totaled more than a third of the United States tonnage of turkeys sold off farms in 1958. In the summer of 1958 the local field offices of the Dairy and Poultry Market News Branch surveyed an additional 21 turkey processors in the 8-State area for information similar to that obtained in 1957. The results of these two surveys indicated that a weekly report would be feasible because adequate data would be available to report prices received for ready-to-cook, USDA-inspected frozen turkeys sold in carlot and trucklot quantities, f.o.b. shipping points. Of the 41 processors surveyed, 30 were willing to supply pricing information weekly.

Collection of Shipping-Point Pricing Information

On September 17, 1958, collection of pricing information was initiated by the area's Dairy and Poultry Market News field offices. Every Wednesday, 30 turkey processors were telephoned for the following information on each shipment sold during the preceding week: (1) Their distribution costs, 3/ (2) city of destination, (3) pounds of each grade and size of turkey, and (4) gross and net prices for each grade and size. 4/ This information was obtained by the St. Louis and Des Moines Market News field offices and forwarded to the officer in charge at the Des Moines office where it was compiled, and a report was released if adequate information was available. 5/ The report was issued to the public for the first time on October 1, 1958, and weekly thereafter for a total of 12 weeks before sales declined to the point where a reliable report could not be issued.

Type of Report

This experimental report of f.o.b. prices for turkeys at shipping points on frozen ready-to-cook USDA-inspected turkeys sold in carlot or trucklot quantities was released as a volume-price report. That is, within each class, the sales at each price were presented as percentages of total sales in that class. An example is the October 22, 1958 report showing fryer-roasters 4-8 pounds, 150,000 pounds sold at a range of 40-41 3/4 cents a pound. 6/ Twenty-six percent of the 150,000 pounds was sold at 40 cents a pound, 54 percent at 40 1/2 cents a pound, and 20 percent at 41 3/4 cents a pound. A report of this type provides the price range and the volume sold at each price for comparable quality turkeys. These f.o.b. shipping-point prices when compared with wholesale selling prices of turkeys at several terminal markets will occasionally

3/ Distribution costs as used in this report include transportation, refrigeration, and brokerage fees.

4/ Net prices are defined as the gross price minus the distribution costs.

5/ Information from three firms was considered adequate for reporting a price on any specific class and size of turkey.

6/ U. S. Agr. Mktg. Serv. Chicago Dairy and Poultry Market News Poultry and Egg Report. Vol. 80, No. 80, Oct. 22, 1958.

imply which market is the best during a certain period. The f.o.b. prices tend to indicate what may happen to turkey prices at terminal and retail markets the following week. That is, some of these turkeys from the North Central States may be on the retailer's shelves a week after the weekly f.o.b. price report is published.

The report also carries a comment on the price changes from the previous weekly report, the supply status of the area's production centers, weather conditions which may influence rate of processing, and any other important events during the week which may have influenced the f.o.b. prices.

Only four classes of ready-to-cook turkeys were included in the report since few processors would, or could, provide more detailed breakdowns of their carlot shipments. These four classes of turkeys were: (1) fryer-roasters weighing 4 to 8 pounds, (2) young hens weighing 8 to 16 pounds, (3) young toms weighing 8 to 14 pounds, and (4) toms weighing 14 to 26 pounds.

The volume of turkeys sold by the processors each week varied from 700,000 pounds in the week ending October 8, 1958, to 6,600,000 pounds in the week ending November 12, 1958. The average weekly volume of turkeys sold during the 12-week reporting period was more than 3,000,000 pounds. Thus, all reports issued were based on substantial volumes of sales.

Variability of the Weekly Shipping-Point Prices

The shipping-point prices received by the turkey processors varied each week. The weighted average price was highest in the weeks ending October 8 and 15 for all classes of turkeys except fryer-roasters which had the highest prices in the week ending November 5. The lowest prices on most classes occurred during the last 2 weeks of the reporting period. However, the weighted average price of tom turkeys weighing 14 to 26 pounds rose slightly after a low of 32.5 cents a pound in the week ending November 26 (table 1).

Variability in prices during the reporting period was smallest for young tom turkeys. This can be seen by computing the average of the differences between the high and low prices shown in table 1. The average of the differences was 1.58 cents a pound on fryer-roasters, 2.1 cents a pound on young hens, 1.2 cents a pound on young toms, and 2.25 cents a pound on tom turkeys. The narrowest range for a weekly period was 1.0 to 1.5 cents a pound for young tom turkeys weighing from 8 to 14 pounds while the fryer-roaster range of 0.25 to 2.75 cents was more variable. Because of the narrower weight classification, these two classes would tend to have a narrower range in prices than the young hens weighing 8 to 16 pounds and the toms weighing 14 to 26 pounds.

Since the volume and price information obtained from the processors was not given in the same weight classifications each time data were collected, it was not possible to show more accurately the price difference on narrower weight classes than those issued in the weekly report. However, if pricing information can be obtained in more detail, it may become possible to issue prices for narrower size groups. This would tend to lessen the range in prices reported.

Table 1.--North Central turkey processing plants reporting number and volume of sales and shipping point prices received for 4 classes of ready-to-cook turkeys, by weeks, Oct. 1-Dec. 17, 1958 ^{1/}

Turkey class and week ending--	Plants	Sales	Volume sold	Weekly f.o.b. prices received		
				Range	Simple average	Weighted average
	Number	Number	Pounds	Cents	Cents	Cents
Fryer-roasters 4-8 pounds:						
Oct. 1 ^{2/}	2	2	104,000	39.0 -39.5	39.0	39.2
8	2	2	60,000	40.25-40.5	40.5	40.4
15	6	6	310,000	40.0 -41.5	40.0	40.3
22	3	4	150,000	40.0 -41.75	40.5	40.6
29	5	9	512,000	39.5 -41.75	40.0	40.3
Nov. 5	9	9	435,000	40.5 -42.25	41.0	41.1
12	5	7	500,000	40.0 -42.0	41.0	40.7
19	5	5	340,000	39.5 -41.0	41.0	40.4
26	3	4	563,000	40.0 -41.25	40.0	40.5
Dec. 3	3	4	150,000	38.25-41.0	39.5	39.7
10	5	6	635,000	38.0 -40.5	39.5	39.6
17	3	3	330,000	38.0 -39.0	38.5	38.5
Young hens 8-16 pounds:						
Oct. 1	9	13	873,000	37.0 -39.0	38.0	38.2
8	8	8	410,000	38.0 -40.25	39.25	39.1
15	11	14	900,000	38.25-40.5	39.0	39.2
22	7	10	960,000	38.0 -39.5	38.5	38.6
29	10	11	816,000	37.0 -39.75	38.5	38.0
Nov. 5	14	19	1,990,000	37.0 -40.0	38.0	38.3
12	17	25	2,385,000	37.0 -39.0	38.0	38.0
19	16	20	1,630,000	36.5 -38.5	37.0	37.2
26	10	14	1,637,000	36.5 -38.0	37.0	37.0
Dec. 3	10	12	1,194,000	36.5 -38.5	37.25	37.3
10	11	17	1,504,000	36.0 -38.0	36.5	36.6
17	11	15	1,215,000	36.0 -38.0	37.0	37.0
Young toms 8-14 pounds:						
Oct. 1	1	1	420,000	36.5	36.5	36.5
8 ^{2/} ^{3/}	---	---	---	---	---	---
15 ^{2/}	2	2	210,000	36.5 -37.5	37.5	37.2
22 ^{2/}	2	2	57,000	35.0 -36.25	36.25	35.7
29 ^{2/}	2	2	180,000	35.5 -36.75	35.5	35.6
Nov. 5	4	4	210,000	35.0 -36.0	35.5	35.4
12	4	4	380,000	35.0 -36.0	36.0	35.5
19	4	5	335,000	34.5 -35.5	35.0	35.0
26 ^{2/} ^{3/}	---	---	---	---	---	---
Dec. 3	2	3	260,000	34.5 -36.0	34.75	35.0
10	4	4	329,000	34.0 -35.5	34.0	34.5
17 ^{2/}	1	1	30,000	34.0	34.0	34.0
Toms 14-26 pounds:						
Oct. 1	10	14	615,000	32.5 -34.5	33.5	33.6
8	3	3	215,000	33.25-34.5	34.5	34.2
15	10	15	754,000	32.0 -34.5	34.25	33.7
22	9	12	1,000,000	32.75-34.5	34.0	33.7
29	8	15	1,073,000	31.5 -34.5	33.5	33.4
Nov. 5	15	19	2,650,000	32.0 -34.0	33.0	33.1
12	18	26	3,327,000	32.0 -34.5	33.0	33.0
19	15	19	2,826,000	31.0 -34.0	32.5	32.8
26	13	18	1,590,000	32.0 -33.5	32.0	32.5
Dec. 3	13	17	1,245,000	32.5 -34.5	33.25	33.5
10	15	21	1,575,000	32.0 -35.0	33.5	33.6
17	14	18	2,654,000	32.5 -35.0	33.5	33.6

^{1/} Ready-to-cook, USDA-inspected, frozen turkeys sold in carlot or trucklot quantities.

^{2/} Data not reported on published weekly report.

^{3/} No shipments sold.

Shipping-Point Prices Compared with Wholesale Price Quotations

Average weekly f.o.b. prices received by turkey processors did not necessarily follow any wholesale price in New York or Chicago (figure 1). However, a number of the turkey processors said that they used the New York private market quotations as a base price and then negotiated with buyers for the actual f.o.b. prices. A study of marketing margins of turkeys in 1954-55 showed that about 32 percent of the processors used only the private quotations as a base price in selling turkeys. ^{7/} Also, about 32 percent used competition as the only pricing factor in selling turkeys, and 20 percent used both the quotations and competition as the basis for their selling price.

The shipping-point prices for turkeys were compared with three wholesale market price reports (table 2). A wide variation was noticed in the range between the shipping-point prices and the wholesale selling prices. These ranges may indicate the different demands for certain sizes and classes of turkeys in the two wholesale markets for specific time periods. For all classes of turkeys the New York private market quotations averaged 3.07 cents a pound over the shipping-point prices. ^{8/} The New York market news wholesale selling prices averaged 3.05 cents above the shipping-point prices while the Chicago market news wholesale selling prices were only 1.71 cents a pound above the shipping-point prices.

Table 2.--Amount that the North Central States shipping-point prices were below wholesale selling prices for ready-to-cook turkeys in Chicago and New York, cents per pound, Oct. 1-Dec. 17, 1958 ^{1/}

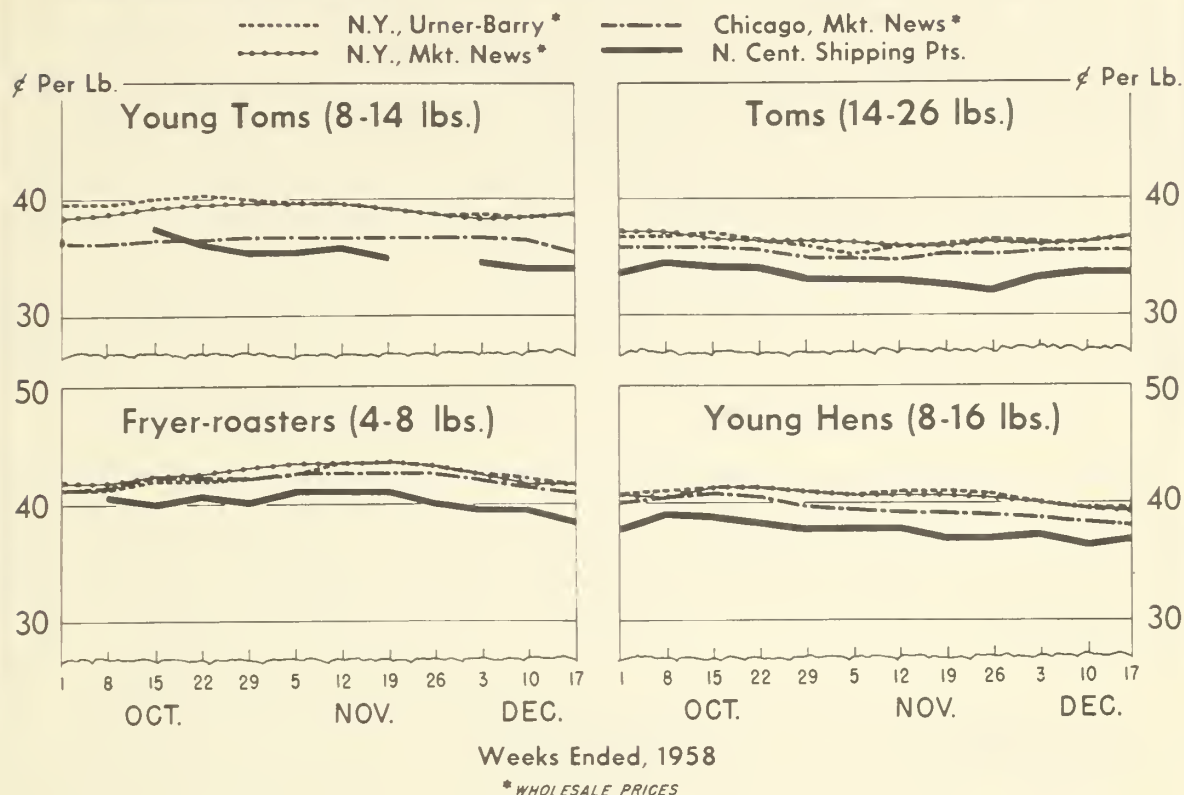
Type and weight of turkeys	Chicago market		New York market		New York Urner-	
	news		news		Barry	
	Range	Aver- age	Range	Aver- age	Range	Aver- age
	Cents	Cents	Cents	Cents	Cents	Cents
Fryer-roaster 4-8 lbs.	1.0 to 2.75	2.05	1.25 to 3.4	2.58	0.75 to 3.4	2.33
Young hens 8-16 lbs.	1.25 to 2.25	2.25	1.25 to 3.75	2.77	1.75 to 4.0	2.90
Young toms 8-14 lbs.	0.25 to 2.50	1.00	1.75 to 4.75	3.65	2.5 to 4.75	3.95
Toms 14-26 lbs.	1.5 to 3.4	2.14	2.5 to 4.6	3.20	2.25 to 4.75	3.12
All classes		1.71		3.05		3.07

^{1/} Ready-to-cook, USDA-inspected, frozen turkeys sold in carlot or trucklot quantities.

^{7/} Rinear, Earl H. Marketing Margins and Practices for Turkeys Sold in Three Eastern Markets. U. S. Dept. Agr. Mktg. Res. Rpt. 191. August 1957.

^{8/} Urner-Barry Co. Producers' Price-Current. New York 7, N. Y.

AVERAGE PRICES OF READY-TO-COOK TURKEYS



U.S. DEPARTMENT OF AGRICULTURE

NEG. 7538-59 (10) AGRICULTURAL MARKETING SERVICE

Figure 1

The transportation cost from the various processor shipping points averaged 0.5 cent a pound to Chicago and averaged 1.56 cents a pound for shipments to New York. Since the transportation cost is the largest single distribution expense from the processing plants to the wholesale markets, the remaining spread between the three wholesale reports should be small if all the price reports and quotations actually represent the market from which they are reported.

After deducting the transportation costs, the remaining spreads would consist of (1) the wholesaler's markup or handling charges, (2) the discount or premium received by the processor according to his ability to negotiate for a final selling price, and (3) the refrigeration or brokerage fees, if any. This spread was 1.21 cents a pound in the Chicago price report, 1.49 cents a pound for the New York market news report, and 1.51 cents a pound for the commercial quotations in New York. These spreads compare favorably with wholesalers' and jobbers' margins of 2.2 cents a pound in Washington, D. C., in 1954 and of 2.05 cents a pound in Boston in 1955. 9/

The spread between the Chicago price and the shipping-point price is smaller than between the two New York prices and the shipping-point price because the wholesalers in New York tend to obtain a larger margin on their sales of young toms than the wholesalers in Chicago (table 2).

9/ See footnote 7.

Additional Marketing Information

The cost of marketing ready-to-cook frozen turkeys from the processing plant to a terminal market in trucklot quantities is quite large. About 66 percent of the shipments sold during the reporting period were purchased f.o.b. processing plants. Therefore, the majority of the sales were picked up at the shipping points and transported in the buyers' own or hired trucks. Turkey processors were responsible for transporting and delivering the remaining 34 percent of the shipments to the buyers and only on these shipments was information on transportation and other costs available. The average distribution costs on such shipments are summarized in table 3. More than 36 percent of all shipments delivered to market by turkey processors were to eastern and south-eastern consumption areas from the North Central turkey production center. The transportation costs for these shipments averaged 1.6 cents a pound while the shipments to midwestern buyers cost an average of 0.61 cent a pound. The few brokerage fees paid by processors ranged from 0.25 to 0.50 cent a pound.

Turkeys were shipped to all areas of the United States except the Southwest. According to available data, New York was the largest receiver of the North Central area's turkeys, receiving 13.2 percent of the shipments sold during the period of study. Chicago received 11.3 percent of the shipments. The transportation cost of the shipments to the various midwestern cities was practically the same (table 4).

The size of the shipments was the same as was disclosed in 1957. ^{10/} They ranged from 28,000 to 40,000 pounds, with more than 70 percent falling within the range of 28,000 to 33,000 pounds. Occasionally there were smaller shipments to local areas. Nearly all of the shipments were in refrigerated, semitrailer trucks.

Most of the processors packed turkeys in fiber boxes containing two toms or four hens per box. These boxes were then stacked in the freezer for quick freezing of the ready-to-cook birds. A few processors packed special gift boxes, usually one hen in a highly decorated fiber box.

Sales Not Usable for Shipping-Point Price Reports

During the reporting period a number of sales could not be included in the price report. Early in October, several processors sold trucklots for future delivery on relatively firm terms. These sales were based on future prices, current prices, or even past prices. Therefore, such sales did not contribute to the weekly price because the processing plants usually did not know their final f.o.b. prices in time for the current report. Shipments sent to storage to be sold at a later date caused another problem. If prices could have been obtained on these shipments, the cost of storage would have had to be deducted. This would usually place such shipments on a lower shipping-point price basis. In most instances the actual costs for these extra services were difficult to obtain. Sales by integrated firms could not be used because most of their "sales" were actually intracompany transfers and the processor could not readily establish a net f.o.b. price.

^{10/} See footnote 2.

Table 3.--Distribution costs paid by North Central processors on shipments of ready-to-cook turkeys, Oct. 1-Dec. 17, 1958 1/

Marketing cost	: Shipments to midwestern ::			: Shipments to eastern and		
	: cities (100 to 400 miles) ::			: southern cities		
	: Cost per pound ::			: Cost per pound		
	: Shipments:	: Range	: Average	: Shipments:	: Range	: Average
	: Number	Cents	Cents	: Number	Cents	Cents
Transportation cost ..	65	0.25-1.25	0.61	96	1.50-2.00	1.60
Brokerage fees	2	.25- .50	.37	4	---	.50
Storage costs (first						
month only)	---	---	---	1	---	.50

1/ Ready-to-cook, USDA-inspected, frozen turkeys sold in carlot or trucklot quantities.

Table 4.--Percentage distribution, by specified destinations and transportation cost per pound, on shipments of ready-to-cook turkeys by North Central processors, Oct. 1-Dec. 17, 1958 1/

Destination	Percentage of shipments	Average transportation cost
	Percent	Cents per pound
Chicago	11.3	0.50
Kansas City	6.1	.53
St. Paul-Minneapolis	2.3	.60
Milwaukee	1.5	.50
Omaha	1.5	.50
Midwest <u>2/</u>	3.6	.50
Detroit	4.0	1.06
Philadelphia	4.4	1.54
New York	13.2	1.56
East <u>2/</u>	18.5	1.65
Seattle4	<u>3/</u>
Canada6	<u>3/</u>
Destination not given	32.6	<u>3/</u>
Total	100.0	---

1/ Ready-to-cook, USDA-inspected, frozen turkeys sold in carlot or trucklot quantities.

2/ Complete destination unknown.

3/ Data were not provided.

Recommendations and Conclusions

This study shows that it is feasible to issue a weekly report on turkey prices at shipping points for the greater part of the North Central region of the United States. Such a weekly report should be issued each year when the bulk of turkeys start to move into and through processing plants. The report should contain volume-price data and should be issued as long as adequate pricing information is available in order to supply the industry as much marketing and pricing information as possible.

A larger number of weight classes for the tom turkeys would be desirable. Toms weighing 22 to 24 pounds were usually quoted in the New York private market report at $\frac{1}{2}$ to 1 cent above or below the toms weighing 14 to 22 pounds. Also the toms weighing 24 pounds and up were sometimes 2 cents higher than the smaller toms. These price differentials alone would be enough to widen the range of weekly prices reported for the tom turkeys weighing 14 to 26 pounds. Similar price variations were also noted in the shipping-point prices for this class of toms. Therefore, if possible, tom turkeys should be reported on the weekly shipping-point price report in the following four classes: (1) 8 to 13.9 pounds, (2) 14 to 21.9 pounds, (3) 22 to 23.9 pounds, and (4) 24 pounds and up. The weekly prices were not as variable for the wide weight range of hens (8 to 16 pounds) and fryer-roasters (4 to 8 pounds) so it seems unnecessary to obtain finer breakdowns on these turkeys at the present time. However, if the price variance increases in later reports the weight classification may need to be broken down into 2-pound classes, for example, to achieve a narrower range in prices.

With the relatively small number of turkey processing plants in the North Central region, the use of a sampling plan to select certain firms to supply weekly information would not be feasible. It would be advisable each year to solicit all turkey processors for weekly information on shipping-point prices. If the list of cooperating firms ever becomes so small that the prices collected are not representative of the area's prices then a report should not be issued.

The weekly report provides new information to all persons interested in marketing turkeys. Processors are now able for the first time to compare their own net returns with prices received by other processors. Some processing plants may improve their net returns by using these data. The various buyers now know the price of ready-to-cook frozen turkeys in the largest supply area of the United States. Also, buyers and sellers have market news information for a number of localities and marketing levels: (1) daily prices paid at the farm, (2) weekly shipping-point prices, (3) daily wholesale selling prices, and (4) daily prices to retailers. The shipping-point prices thus bridge a gap in the turkey market price reporting system. Eventually this shipping-point price report may replace some of the wholesale market price reports because of the declining volume moving through the wholesale markets.

If direct purchases from processing plants by large food chains and large specialized wholesalers and other large metropolitan buyers continue to increase, reports on net prices at shipping points, through necessity, may be established in other large production areas on turkeys and other agricultural commodities.